INSIGHTS

Economic and Market Overview

October 2026

Markets

	12/31/25	9/30/26	10/31/26	MoM Chg.
2-year Treasury Yield	3.48%	4.89%	4.59%	-0.30%
5-year Treasury Yield	3.73%	5.09%	4.72%	-0.37%
10-year Treasury Yield	4.17%	5.29%	4.93%	-0.36%
30-year Treasury Yield	4.85%	5.63%	5.31%	-0.32%
Bloomberg Int. Credit Index OAS	63	65	74	+9 bps
Bloomberg Long Credit Index OAS	95	98	109	+11 bps
Bloomberg Corporate High Yield OAS	266	311	340	+29 bps
S&P 500	6,845.50	7,651.54	7,580.07	-0.9%
WTI	$57.42	$90.09	$104.12	+$14.03
The U.S. Dollar Index	98.32	101.45	101.88	+0.43

Sources: Bloomberg Index Services Ltd., Bloomberg.

The S&P 500 fell over the final two days as Alphabet's and Amazon's third quarter earnings sparked alarm among investors already somewhat wary of capex plans. In contrast to last month, the equally weighted index had a much better showing (+5.0%), as did the Dow Jones Industrial Average (+1.8%) and the Russell 2000 (+0.6%). In Treasuries, yields retraced much of the ground lost in September, as the Bloomberg 20+ STRIPS Index returned 8.82%. Credit spreads widened and the credit curve steepened as long spreads underperformed their intermediate counterparts. Investment-grade supply slowed a touch but remained heavy relative to history as J.P. Morgan reported $125 billion in issuance, 17% above the average for the trailing four Octobers. In high yield, issuance is traditionally lighter in October, and this year was no exception as only $14.6 billion priced, the lowest in 18 months. High-yield spreads widened 29 bps. WTI rallied steadily over the course of a month, returning to a triple-digit handle to finish 15.6% higher. The Dollar Index gained 0.4%, while gold fell 6.8% to end the month at its lowest level of the year.

Economic Data

U.S. GDP growth accelerated to a 3.4% pace in Q3, according to the advance release, which was 0.2% over expectations and up from 2.2% in the second quarter. Consumer resilience accounted for the strength, as personal consumption came in at 3.8%, 0.4% healthier than economists had forecast. Nonfarm payrolls came up 61k short, however, rising by a modest 29k pace in

September, and the prior two months were revised down by a combined 60k. The unemployment rate ticked up 0.1% to 4.2%, though the participation rate rose 0.2% to 61.8%. For October, economists are predicting a 65k gain in NFP and no change in the unemployment rate when data are released on Nov. 6. Consumer sentiment improved in October and both popular indexes surprised to the upside. The Conference Board's Consumer Confidence Index was particularly notable, as it defied expectations for a decline with a 7.5-point rise. Housing data releases were tepid, while manufacturing and services data were mixed. Retail sales remained strong for the second consecutive month as the headline rate gained 0.8% MoM after an upwardly revised 1.3% increase in August.

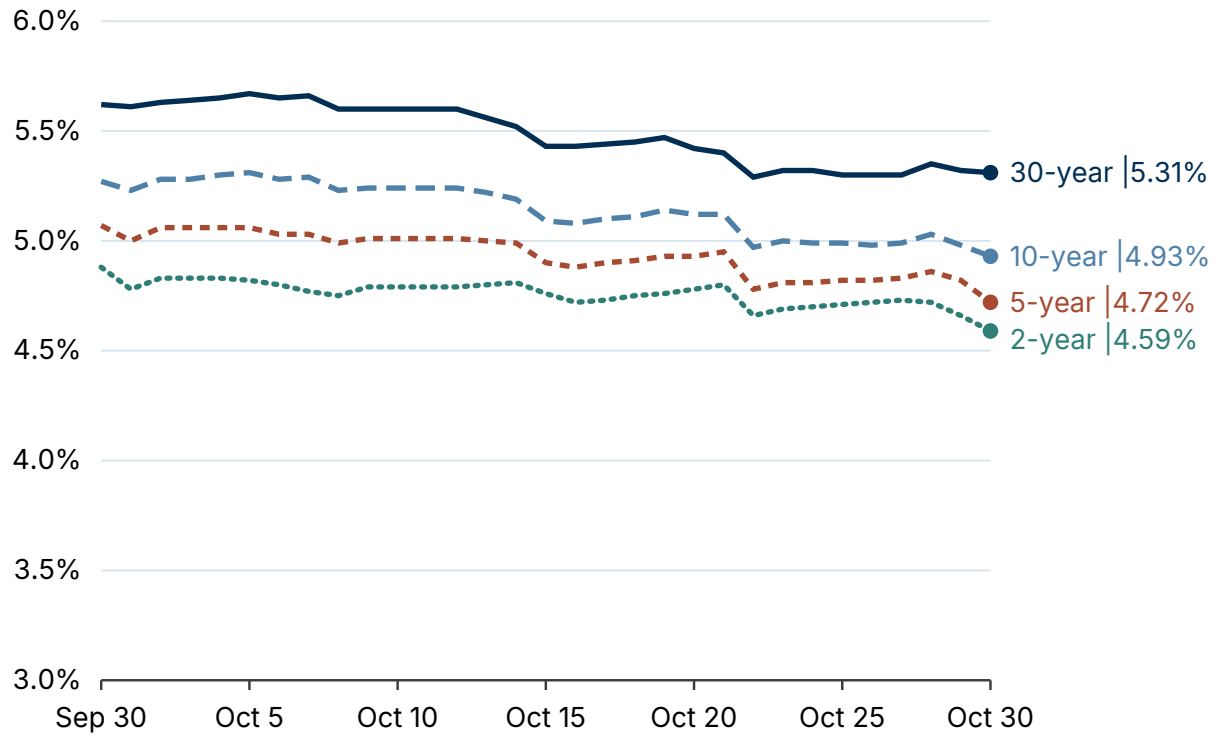
Inflation

September CPI data were hot for the second month in a row, though the strength was not attributable to noise in wireless telephone plans, but rather energy costs, core goods and owners' equivalent rent. The headline figure rose 0.6% MoM, which met expectations, though it was up 0.2% from August, while the core reading rose by 0.3% MoM versus consensus for a 0.2% pace. After the release, the market quickly repriced the odds of a rate hike at the October meeting to ~50%, but over the next two weeks, the odds steadily declined and were effectively zero by the 10/28 announcement (see below). PCE measures landed right on estimates across the board, but were nonetheless up 0.1% to 0.2% from the prior month as well. As for expectations, the breakeven curve flattened as shorter maturities followed oil higher, while longer tenors fell.

Federal Reserve

The FOMC left the policy rate unchanged at their October 27-28 meeting. This result was broadly expected despite the elevated September CPI print, because Governor Jefferson and President Williams had sent fairly clear signals that rate hikes would proceed at an alternative meeting pace. As risk-asset volatility persisted throughout October, interest rate markets removed nearly two full hikes from the expected monetary policy path through December 2027. Markets are now pricing 80% odds of a hike at the December FOMC meeting and only one additional hike in 2027. This brings December 2027 market pricing back in line with the most hawkish cohort on the FOMC dot plot. We maintain our view that the Fed will hike just once more in December, and will hike again in March only if oil prices remain at or above current levels.

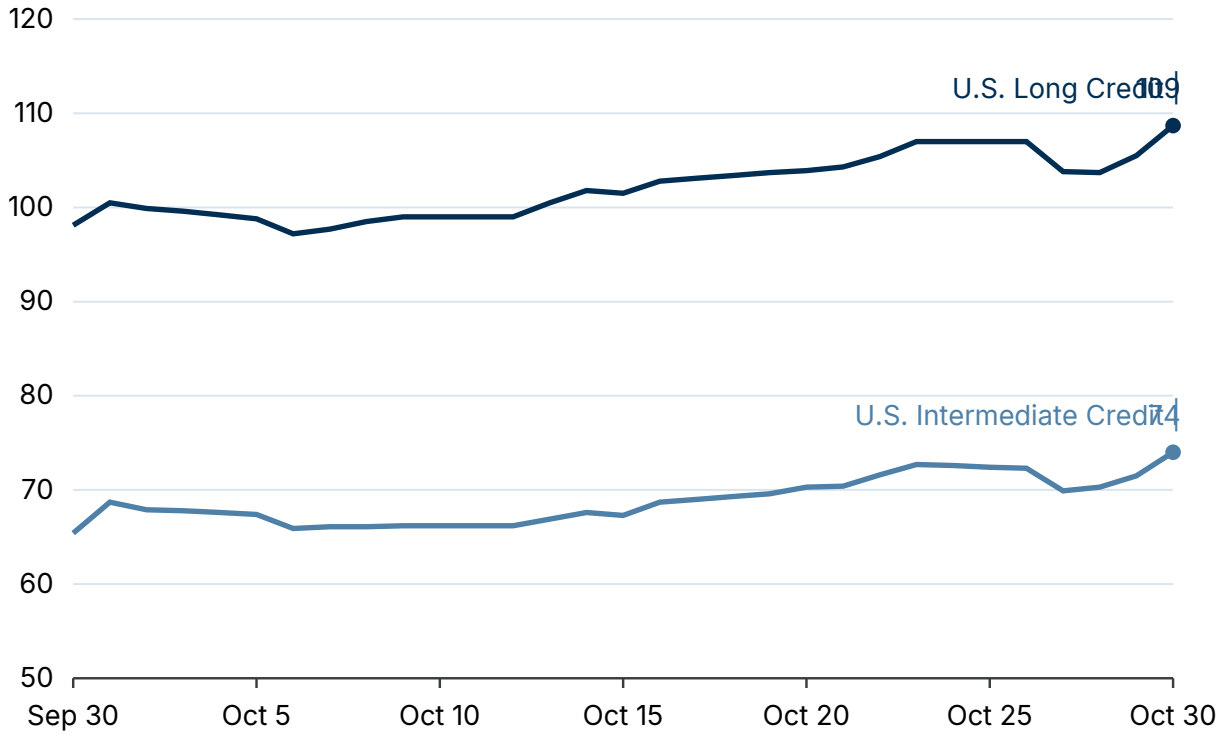
Treasury Yield



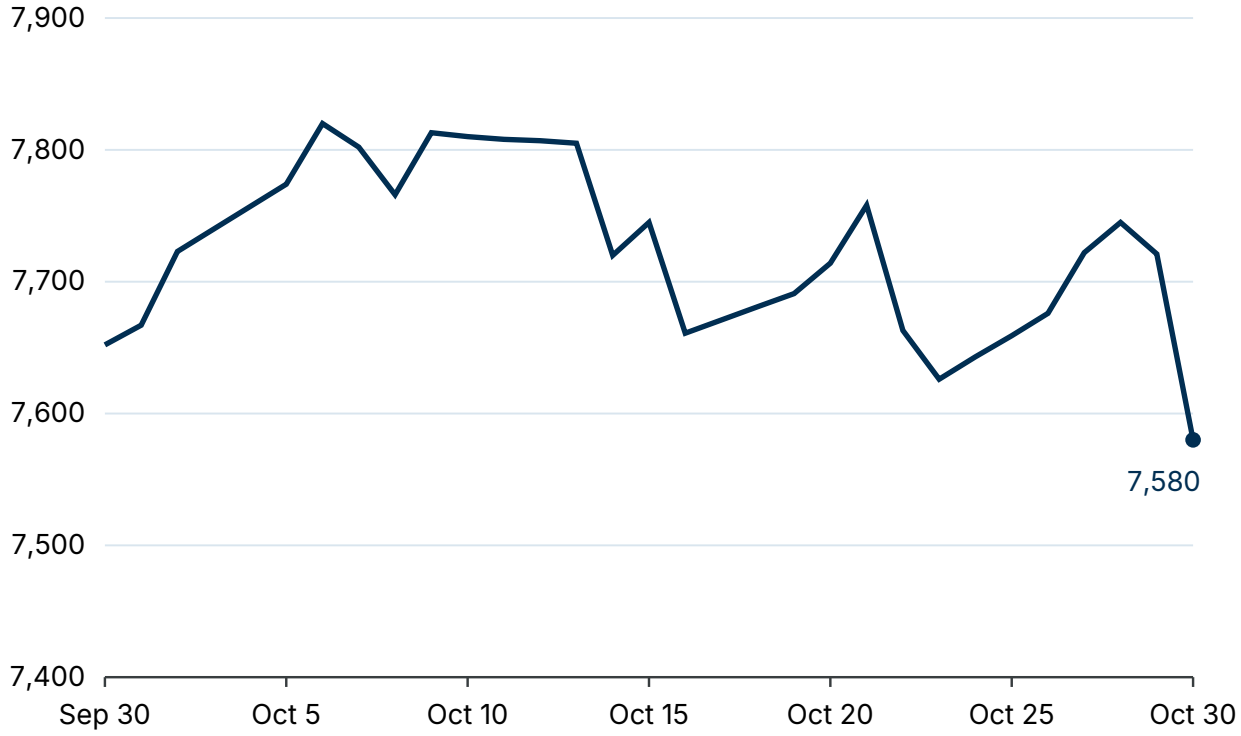
U.S. Corporate High Yield Index OAS | bps



Credit Index OAS | bps



S&P 500 Index



U.S. Dollar Index



Crude Oil | $/bbl



Sources: Bloomberg Index Services Ltd., Bloomberg.

This overview is for informational purposes only. The information has been obtained from sources considered to be reliable, but the accuracy and completeness are not guaranteed. There is no assurance that any economic trends mentioned will continue or that any forecasts will occur. Economic data are as of the dates noted.

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